

## Message Text

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ACTION EA-14

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SAM-01 AID-20 EB-11 NSC-10 RSC-01 CIEP-02 TRSE-00

SS-20 STR-08 OMB-01 CEA-02 CIAE-00 DODE-00 PM-07 H-03

INR-10 L-03 NSAE-00 PA-04 PRS-01 USIA-15 COME-00

FRB-02 XMB-07 OPIC-12 LAB-06 SIL-01 FPC-01 AGR-20

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FM AMEMBASSY TOKYO

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FOR COMMERCE FOR MEPD

STATE FOR T/IEP

E.O. 11652: N/A

TAGS: ENRG, JA

SUBJECT: ENERGY AND MAJOR PROJECTS: JAPANESE CHEMICAL  
COMPANIES PLAN TO ADVANCE INTO ALBERTA, CANADA TO UTILIZE  
NATURAL GAS AND TAR SANDS

REF: OTTAWA 0172

SUMMARY: NEWSPAPERS HAVE REPORTED INTEREST OF LARGE  
JAPANESE KEIRETSU GROUPS IN INVESTMENT IN ALBERTA, CANADA  
TO UTILIZE ABUNDANT NATURAL GAS AND SYNTHETIC CRUDE  
EXTRACTED FROM TAR SANDS AS PETROCHEMICAL FEEDSTOCK. IN  
DISCUSSIONS WITH MITSUBISHI, MITSUI AND SUMITOMO, EMBASSY  
WAS TOLD VARIOUS PROJECTS UNDER CONSIDERATION, BUT MANY  
PROBLEMS STILL TO BE SOLVED BEFORE ANY FINAL DECISION  
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CAN BE MADE. NAMES OF INDIVIDUAL RESPONSIBLE FOR THESE

DEVELOPMENT PROJECTS LISTED FOR U.S. FIRMS WHICH MIGHT BE INTERESTED IN SUPPLYING EQUIPMENT AND SERVICES FOR SUCH PROJECTS. END SUMMARY

1. SEVERAL NEWSPAPERS REPORT THAT JAPANESE COMPANIES EITHER AS GROUP OR ON INDIVIDUAL BASIS ARE INVESTIGATING POTENTIAL FOR INVESTING IN ALBERTA, CANADA IN PROJECTS THAT WOULD UTILIZE ABUNDANT NATURAL GAS RESOURCES AND SYNTHETIC CRUDE EXTRACTED FROM TAR SANDS TO PROCESS INTO FEEDSTOCK. THESE COMPANIES INCLUDE THE HUGE MITSUBISHI, MITSUI, AND SUMITOMO KEIRETSU. STATE OF PLANNING AND INDIVIDUAL RESPONSIBLE IN EACH GROUP FOR SUBJECT PROJECT, AS RELATED TO EMBOFF, LISTED BELOW. JAPANESE INTEREST IN ALBERTA, CANADA IS ATTRIBUTED TO 1) ACTIVE INVITATION FROM THE ALBERTA STATE GOVERNMENT WHICH WELCOMES JAPANESE PARTICIPATION WITH A MAXIMUM OF 49 PERCENT OWNERSHIP; 2) ABUNDANT GAS AND OIL RESOURCES; AND 3) POLITICAL STABILITY. SOME EMBASSY SOURCES WITHIN THESE BUSINESS GROUPS WERE SKEPTICAL THAT HIGH COST OF TRANSPORTING FINISHED PRODUCTS

ACROSS ROCKY MOUNTAINS WOULD BE ECONOMICALLY FEASIBLE AND WOULD IN ANY EVENT REQUIRE EXTENSIVE STUDY BEFORE ANY DECISION COULD BE MADE.

MITSUBISHI:

2. MR. HIROSHI SHIN, MANAGER, COORDINATION DEPARTMENT, MITSUBISHI GAS CHEMICAL OF TOKYO CONFIRMED SUBSTANCE NIHON KOGYO SHIMBUN (JAPAN INDUSTRIAL JOURNAL) ARTICLE OF JANUARY 26 WHICH STATED THAT FIRM WAS PLANNING INVESTMENT IN ALBERTA, CANADA, AND THAT HIS FIRM IS CONDUCTING INITIAL DISCUSSIONS ON NUMBER OF RELATED PROJECTS WITH CANADIAN SUBSIDIARY OF CLEANESSE CORPORATION OF NEW YORK. ACCORDING TO SHIN, DISCUSSIONS CONCERNED POSSIBLE JOINT PRODUCTION OF ETHYLENE AND ITS DERIVATIVES AND METHANOL, DIFFERENT MODES OF ENTRY, AND WHETHER TO FORM A JOINT VENTURE FOR PRODUCTION OR TO MERELY LONG TERM SUPPLY CONTRACT. IN METHANOL PROJECT, SHIN STATED THAT SUMITOMO CHEMICAL AND OTHER JAPANESE PRODUCERS OF METHANOL HAVE EXPRESSED INTEREST AS WELL. AS THESE OTHER JAPANESE FIRMS HAVE NOT YET MADE ANY FINAL DECISIONS,

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MITSUBISHI GAS CHEMICAL MAY NOT BE ABLE TO GIVE IMMEDIATE CONSIDERATIONS TO OFFERS FROM U.S. BUT SHIN INVITES ANY U.S. FIRMS INTERESTED IN SUPPLYING EQUIPMENT AND SERVICES TO SUCH PROJECTS TO CONTACT HIM DIRECTLY AT FOLLOWING ADDRESS.

MR. HIROSHI SHIN, MANAGER, COORDINATION DEPARTMENT  
MITSUBISHI GAS-CHEMICAL CO., INC.  
2-1-1 UCHISAIWAI-CHO, CHIYODA-KU, TOKYO

TEL: 03-506-4800

3. ACCORDING TO NIHON KEIZAI SHIMBUN (JAPAN ECONOMIC JOURNAL) OF JANUARY 25, THREE COMPANIES OF MITSUBISHI GROUP (MITSUBISHI PETROCHEMICAL; MITSUBISHI CORPORATION; AND MITSUBISHI METAL) HAVE SENT GROUP OF NEGOTIATORS TO CANADA TO NEGOTIATE WITH GREAT CANADIAN OIL SANDS LTD. (GCOS) FOR JOINT CONSTRUCTION AND OPERATION OF LARGE SCALE PETROCHEMICAL COMPLEX IN ALBERTA. JOINT VENTURE WOULD UTILIZE BITUMEN EXTRACTED FROM TAR SANDS BY GCOS AS BASIC RAW MATERIAL AND PRODUCE ETHYLENE, AROMATICS INCLUDING BENZENE AND XYLENE, AND OTHER PETROCHEMICAL PRODUCTS FOR CONSUMPTION IN CANADA AND SHIPMENTS TO BOTH UNITED STATES AND JAPAN. JOINT VENTURE WOULD ALSO CONSIDER LATER PARTICIPATION IN OIL EXTRACTION FROM TAR SANDS THERE. SPOKESMAN FOR MITSUBISHI GROUP STATED THAT PRESS REPORT WAS PREMATURE. HOWEVER, HE ADMITTED NEGOTIATORS FROM MITSUBISHI GROUP NOW VISITING CANADA AND DISCUSSING WITH CANADIAN GOVERNMENT, ALBERTA STATE GOVERNMENT, AND PRIVATE LOCAL FIRMS INCLUDING GCOS POSSIBLE ESTABLISHMENT OF PETROCHEMICAL JOINT VENTURE. HE FURTHER STATED THAT MANAGING DIRECTOR T. YANO OF MITSUBISHI PETROCHEMICAL IS CHIEF COORDINATOR OF THIS PROJECT. ANY U.S. FIRMS INTERESTED IN CONTACTING HIM FOR POSSIBLE OPPORTUNITIES OF SUPPLYING EQUIPMENT AND SERVICES MAY WISH TO WRITE TO FOLLOWING ADDRESS:

MR. TADAO YANO, EXECUTIVE MANAGING DIRECTOR  
MITSUBISHI PETROCHEMICAL CO., LTD.  
3-1 MARUNOUCHI 2-CHOME, CHIYODA-KU, TOKYO  
TEL: 03-283-5511

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4. SPOKESMAN FOR MITSUI GROUP OF THREE COMPANIES \*(MITSUI PETROCHEMICAL; MITSUI & CO.; AND MITSUI TOATSU CHEMICALS) STATED THAT COMPANIES DISTURBED BY NIKKAN KOGYO SHIMBUN (DAILY INDUSTRIAL JOURNAL) ARTICLE OF JANUARY 28 REPORTING THAT THESE COMPANIES HAVE STARTED JOINT VENTURE TALKS WITH ALBERTA GAS TRUNK LINES CO. (AGTL) OF CANADA AND IMPERIAL CHEMICAL INDUSTRIES LTD. (ICI) OF ENGLAND. ACCORDING TO ARTICLE, PLAN IS JOINT CONSTRUCTION AND OPERATION BY 1977 OF LARGE SCALE PETROCHEMICAL COMBINE CENTERING ON 450,000 TON/YEAR ETHYLENE PLANT (LARGEST IN JAPAN IS 300,000 TON/YEAR) IN ALBERTA TO UTILIZE NATURAL GAS RESOURCES

OWNED BY AGTL.  
SPOKESMAN ADMITTED THAT MITSUI GROUP HAVE BEGUN INITIAL

JOINT STUDY OF SUCH A PROJECT BUT REFUSED ANY FURTHER COMMENT. AS SPOKESMAN INDICATED THAT MANAGING DIRECTOR IZUMI OF MITSUI PETROCHEMICAL IS ACTING AS THE COORDINATOR OF PROJECT, INTERESTED AMERICAN FIRMS MAY WISH TO CONTACT HIM AT FOLLOWING ADDRESS:

MR. KIYOTO IZUMI, MANAGING DIRECTOR  
MITSUI PETROCHEMICAL INDUSTRIES, LTD  
3-2-5 KASUMIGASEKI, CHIYODA-KU, TOKYO  
TEL: 03-580-3611

SUMITOMO AND OTHERS:

5. OTHER JAPANESE CHEMICAL COMPANIES REPORTEDLY STUDYING POSSIBLE INVESTMENT IN ALBERTA, CANADA INCLUDE SUMITOMO CHEMICA CO., LTD. OF OSAKA AND ANOTHER OSAKA BASED COMPANY, ASAHI CHEMICAL INDUSTRIES CO., LTD. EMBASSY UNABLE CONFIRM THESE REPORTS AT THIS TIME, BUT SUMITOMO IS REPORTED TO PLAN ETHYLENE PRODUCTION IN ADDITION TO POSSIBLE PARTICIPATION IN METHANOL PRODUCTION PROJECT MENTIONED IN PARAGRAPH 2. ASAHI CHEMICAL IS ALSO REPORTED TO PLAN PETROCHEMICAL PRODUCTION PROJECT JOINTLY WITH DOW CHEMICAL.  
SHOESMITH

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